

OFFICE OF THE TREASURER

P.O. Box 942809
Sacramento, CA 94209-0001
(800) 900-3873
www.treasurer.ca.gov



The Treasury Note

A monthly newsletter of municipal finance
April 1, 2001

Bond Sale Appointments

The State has appointed the following firms to assist with the Water Resources Electric Power Program Bonds:

Co-Senior Managers:

Bear, Stearns & Co. Inc.
E.J. De La Rosa & Co., Inc.
J.P. Morgan Securities Inc.*
Lehman Brothers
Merrill Lynch & Co.
Salomon Smith Barney

* Book-running Co-Senior Manager, initial sale.

First-Tier Co-Managers:

Banc of America Securities LLC
eBondTrade
First Albany Corporation
M.R. Beal & Company
Morgan Stanley Dean Witter
Redwood Securities Group, Inc.
Sutter Securities Inc.
The Chapman Company
UBS PaineWebber Inc.

Second-Tier Co-Managers:

Blaylock & Partners, L.P.
CIBC World Markets
Great Pacific Securities, Inc.
Jackson Securities Incorporated
Mischler Financial Group, Inc.
Pacific American Securities, LLC
Prager, McCarthy & Sealy
Quick & Reilly, Inc.
Ramirez & Co., Inc.
Siebert Brandford Shank & Co., LLC
Sutro & Company
U.S. Bancorp Piper Jaffray

Financial Advisors:

Montague DeRose & Associates
Public Resources Advisory Group

Bond Counsel:

Hawkins, Delafield & Wood

Special Counsel:

Brown & Wood LLP

Disclosure Counsel:

Orrick, Herrington & Sutcliffe LLP

Recent State Bond Sales

If you are interested in purchasing the bonds mentioned below, please contact your broker.

State Public Works Board

The State sold \$163 million in refunding bonds for the State Public Works Board (SPWB) on March 15, 2001 at a True Interest Cost of 4.35 percent. By refunding SPWB bonds at today's lower interest rates, the sale saved California taxpayers \$6.3 million in lower debt service payments.

The bonds were sold in a negotiated sale by a team of underwriters led by senior manager Bear, Stearns & Co., Inc. Serving as co-senior managers were E.J. De La Rosa & Co., Inc. and J.P. Morgan Securities Inc. Co-managers included Lehman Brothers; Merrill Lynch & Co.; Morgan Stanley Dean Witter; M.R. Beal & Company; Pacific American Securities, LLC; and UBS PaineWebber Inc. Orrick, Herrington & Sutcliffe served as lead bond counsel with Curls, Brown & Duran LLP as co-bond counsel and Lofton De Lancie as disclosure counsel. Public Resources Advisory Group provided financial advisor services.

The sale refinanced State Public Works Board bonds previously sold for the Department of Corrections and The Regents of the University of California.

For information about this bond sale, please visit our website at: www.treasurer.ca.gov or call *Investor Relations* at (800) 900-3873.

Listing of Redemptions

There are no redemptions or defeasances for May 1, 2001 officially announced as of April 1, 2001. Questions regarding redemption information can be directed to (800) 900-3873.

Frequently Asked Questions

Q: I own a State of California General Obligation bond in book-entry form. My interest payments from this bond are sent to my current bank. How can I redirect my interest payments to a different bank?

A: Book-entry bond interest payments are sent to you by your broker. Your broker has established an account for you and handles the arrangements for disbursement of your interest payments. To change where you would like your payments deposited, please contact your broker.

Q: How long do I have after my bond has matured to submit it for payment?

A: Our office will pay your bond up to ten years from the maturity date. However, all interest ceases to accrue on the maturity date. If you have any questions, please call the *Bondholder Services Section* at (800) 900-3873.

Bond Sales Calendar*

If you are interested in purchasing any of these bonds, please contact your broker two weeks before the sale date. For updated information, check our website (www.treasurer.ca.gov) or call (800) 900-3873.

BOND SALES	AMOUNT	SALE DATE
Department of Veterans Affairs, General Obligation Bonds	\$86 million	4/11/01
Department of Veterans Affairs, Home Purchase Revenue Bonds	\$39 million	4/11/01
Department of Veterans Affairs, General Obligation Bonds	To be determined	6/6/01
Various Purpose General Obligation Bonds and General Obligation Refunding Bonds (Refunding Subject to Market Conditions)	\$500-750 million**	6/12/01
Department of Water Resources Refunding Bonds	\$250 million	To be determined
Water Resources Electric Power Program Bonds	To be determined	To be determined

***Subject to change without notice.**

****Does not include possible refunding amounts.**

Taxable Equivalent

One of the most attractive features of municipal securities is their tax-exempt status. Most California state municipal bonds are exempt from both state and federal income tax, making them "double tax-free". It is the tax-free nature of the bonds that provides an advantage over other investment alternatives on which investors would pay taxes on the income received. Although tax-exempt securities traditionally will offer lower yields relative to other alternatives, the "taxable-equivalent" yields of those securities are often comparable to similar taxable securities. The taxable-equivalent yield lets investors know what kind of yield would be needed on a taxable security to achieve the same return on an after-tax basis as the tax-exempt security yields. A taxable equivalent yield can be calculated by dividing the tax-free yield by 1.00 minus the investor's tax rate. For example, an investor in the 31% tax bracket would first subtract 0.31 from 1.00, producing the number 0.69. For a tax-free bond with a 5.50% yield, divide 5.50% by 0.69 to get a taxable-equivalent yield of 7.97%. This means the investor would need a taxable bond with a yield of 7.97% to get the same after-tax return as the tax-exempt bond with a 5.50% yield. The higher the individual's tax rate, the more attractive tax-exempt bonds become.